Those that oppose TLD expansion in the belief that use of the regulatory process as leverage will achieve an open market for them outside of the FCC's jurisdiction are likely bedazzled by the anticipated gains to be had. AT&T claims that reductions in foreign settlement rates worldwide promise great increases over ten years in U.S. GDP (about $121 billion)[44/] and in U.S. employment (120,000 jobs).[45/] Of course, these estimates are highly speculative and require extended 10 year forecasts for revenues and costs. They also require that we accept the theoretical link between open markets, lower settlement rates and more international voice and data traffic. Even if all of these relationships are credible and the forecasts are accurate, the arm twisting mechanism of regulatory leveraging is an unlikely vehicle for their delivery. The exhortation by protectionists is to bargain hard and leverage hard and something <u>will</u> happen to "usher in a 'Golden Age" in international telecommunications."[46/]

In the meantime the negative short term effects of regulatory leveraging will be born by those within the U.S. regulatory framework. In the case of TLD's applications to participation in the AMERICAS-1 and COLUMBUS II cable systems, the immediate beneficiary of a denial of these applications by the FCC would be, of course, TLD's main rival in Puerto Rico, AT&T. The immediate

---

44/ See AT&T Study, p. 12.

45/ <u>Ibid</u>., p. 19.

46/ <u>Ibid</u>., p. 2.

victims of such a denial would be off-island competition and the Puerto Rican economy.

AT&T recognizes that vigorous competition in the Puerto Rican market has come primarily from TLD, and that handicapping TLD by keeping its costs high is the only way to hold down this aggressive rival. Cloaking its anticompetitive intent in a call for an open market in Spain, AT&T has asked the FCC to prevent its primary Puerto Rican rival from competing on a level playing field.

The remote possibility that blocking TLD's participation in the AMERICAS-1 and COLUMBUS II cable systems might contribute somewhere down the road toward opening the Spanish market is a much smaller potential benefit to AT&T than the immediate effect of severely handicapping its only significant competitor in the Puerto Rican market. Protectionism generally is welcomed by domestic competitors; but it is of particular value when a single domestic competitor enjoys a dominant market position, and when the protectionism threatens the dominant firm's primary challenger.

Foregoing sizeable, certain, current competitive benefits in return for a small increase in future market-opening pressure is a poor bargain for American (in this case Puerto Rican) consumers. Market pressures inevitably will force down international tariffs in those parts of the world thus far resistant to such pressures long before any ill-conceived telecommunications protectionism can accomplish that result.

VII. CONCLUSION

Telecommunications competition only recently has brought benefits to the Puerto Rican economy. These benefits are substantial, and are in large part due to the aggressive competitive presence of TLD, the primary rival to AT&T in Puerto Rico. After ten years of delay caused by opposition to its entry by AT&T and AT&T's Puerto Rican predecessor, AAC&R, TLD emerged as the primary rival to AT&T. Indeed, market share figures presented earlier establish that TLD is AT&T's only formidable competitor. TLD's prices have consistently been very low, and are today substantially below those of AT&T. Thus, TLD provides competitive benefits not just to its own customers, but indirectly to all Puerto Rican customers through the competitive pressure it imposes on its rivals, especially AT&T.

When a dominant firm is under competitive pressure primarily from a single rival, the strength of competition depends in large part on the strength of that rival. Regulatory actions that threaten to impede the ability of AT&T's primary Puerto Rican rival pose serious potential threats to the health of competition for off-island services originating in Puerto Rico.

The pending petitions related to the AMERICAS-1 and COLUMBUS II cable systems are a perfect example of this point. These cable systems provide a remarkable opportunity for participants to lower their costs and expand their capacities. If competitive forces are adequate, these cost reductions should be expected to be passed on to consumers. But if AT&T's primary competitor, TLD, does not have access to these cable systems, it appears likely that AT&T would be under little pressure to pass on cost savings to its customers.

Trade policy objectives provide a bad bargain for Puerto Rican business and residential customers if they sacrifice current sizeable competitive benefits for only a potential pressure to open a foreign market to American business entry. While opportunistic protectionist rhetoric from AT&T may be colorful, the true immediate gain to AT&T from denying TLD expansion is that it will face significantly diminished competition in Puerto Rico.

The benefits that derive from long-distance competition in Puerto Rico, including lower prices and higher quality services for consumers, lower costs and increased efficiency for businesses, and economic growth and employment expansion for the economy as a whole, depend on the ability of TLD to continue to act as a strong competitor to AT&T.